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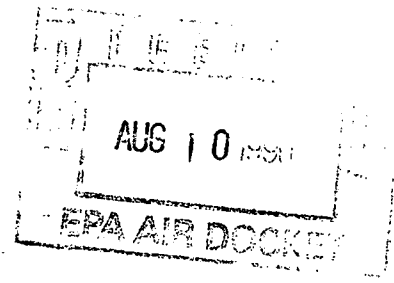
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A-90-16

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National
Council of
Farmer
Cooperatives



July 16, 1990

The Honorable William K. Reilly
Administrator
U.S. Environmental Protection Agency
400 M Street, S.W.
Washington, D.C. 20460

ATTENTION: Docket A-90-16

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Dear Administrator Reilly:

The National Council of Farmer Cooperatives ("NCFC or National Council") is pleased to take this opportunity to respond to the EPA's request for comments on the Ethyl Corporation's waiver request under section 211(f) of the Clean Air Act, 55FR22947 (June 5, 1990). Ethyl requests permission to sell a manganese octane enhancing additive (MMT), for use in unleaded gasoline. For the reasons outlined below the NCFC believes this Ethyl request presents the EPA with a singular opportunity to combine enlightened environmental and energy policy and urges that the waiver be granted.

National Council's Interest in the Ethyl Waiver

The National Council of Farmer Cooperatives is a nationwide association of cooperative businesses which are owned and controlled by farmers. Its membership includes nearly 100 agricultural marketing, supply and credit cooperatives, plus 31 state councils. National Council members handle practically every type of agricultural commodity produced in the U.S., market these commodities domestically and around the world, and furnish production supplies and credit to their farmer members and patrons. The National Council represents about 90 percent of the nearly 5,000 local farmer cooperatives in the nation, with a combined membership of nearly 2 million farmers.

50 F Street, NW
Suite 900
Washington, DC 20001
(202) 626-8700

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The National Council represents supply cooperatives which own and operate five modern refineries with a combined capacity of 220,000 barrels per day (bpd). These facilities produce a high percentage... about 85 to 90 percent... of gasoline, diesel fuel and heating oil. Our member cooperatives market petroleum products in more than 40 states and currently supply about 39 percent of all on-farm fuel needs as well as a substantial portion of the seed, feed and other requirements of farm families.

Farmer cooperative petroleum operations represent the only segment of the oil industry in which the consumers of its products are also its owners. This feature carries with it a unique accountability and commitment. Ethyl's proposed unleaded gasoline additive, HiTEC 3000, appears to offer exceptional cost savings opportunities for smaller refineries such as those operated by farmer cooperatives.

Farm Cooperative Refineries

The five cooperative refineries of CENEX, Farmland Industries, Indiana Farm Bureau Cooperative Association and the National Cooperative Refinery Association are very different from major oil company facilities. They are located in rural Indiana, Kansas and Montana away from other refineries, petrochemical plants and intermediate product exchange opportunities. Since their historical rural fuel demands have been for leaded gasoline and farm diesel fuel, they have relatively limited clear (unleaded) octane capability.

Although highly efficient, as measured by the ability to convert crude oil to clean quality refined products, cooperative refiners' smaller size limits their operating flexibility. The cooperative refineries' crude oil capacities range from 20,600 bpd to 70,500 bpd, and the largest of these is less than half in size of a top 15 U.S. refiner's average plant. As a result of the size disparity not only do cooperative refiners suffer from diseconomies of scale, the cooperative refiners do not have as many different types of oil processing units. Those units which are installed are not duplicated as is the case in most larger facilities.

Multiple octane producing units, parallel processing trains, opportunities for intermediate stream swaps and purchases, all greatly enhance a refiner's inherent flexibility to respond to short term process upsets and longer term fuel quality/demand trends.

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Ethyl's gasoline octane enhancing additive, methylcyclopentadienyl manganese tricarbonyl (MMT) appears to be a beneficial alternative to severe catalytic reforming, the chief process route to high octane unleaded gasoline. All the cooperative refiners currently employ MMT as an leaded gasoline additive and believe its approved use in unleaded gasoline blends will make their refinery operations more efficient and flexible. Such flexibility translates into economic competitiveness and helps insure the continued viability of the farm fuel supply network. Increased economic efficiencies ultimately benefit cooperatives' farmer-owners, due to the unique structure of cooperatives.

Ethyl's MMT Waiver Submittal

The National Council has reviewed Ethyl's waiver request. Many of the materials in the application are auto test results designed to confirm that the use of MMT will not cause or contribute to the failure of any emission control device or system. MMT's use is claimed to significantly reduce auto tailpipe emissions while being benign to various control devices.

NCFC can offer no new data or special expertise on this aspect of the application. Instead we seek to support Ethyl's contention that MMT's use in unleaded gasoline would be a very positive development for smaller U.S. refiners. Based on the coops' experience with MMT in leaded fuel, Ethyl forecasts of reduced crude oil imports, greater refinery operating flexibility and lessened stationary emissions all appear reasonable and achievable. Most significantly, this application appears to offer the agency an opportunity to make simultaneous gains in achieving environmental and energy policy goals. Such opportunities are rare, and the National Council urges the EPA to seize the moment and approve Ethyl's waiver request.

Respectfully submitted,

R. Thomas Van Arsdall

R. Thomas Van Arsdall
Vice President
Agricultural Inputs and Services

cc: Mary T. Smith
Director
Field OPS and Support Division
(EN-397F)